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## **Explaining Canada's Fall on the World Bank Doing Business Index**

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The Centre for the Study of Living Standards (CSLS) today released a report entitled “The World Bank’s Doing Business Index for Canada: An Assessment.” Commissioned by Global Affairs Canada, this comprehensive study identifies the factors that explain the fall in Canada’s ranking on the Doing Business Index from 4<sup>th</sup> in the world in 2007 to 23<sup>rd</sup> in 2020.

### **Key Findings of the Report**

- In terms of position in 2020, Canada ranked highest in starting a business (3<sup>rd</sup>), followed by protecting minority investors (7<sup>th</sup>), resolving insolvency (13<sup>th</sup>), getting credit (15<sup>th</sup>), and paying taxes (19<sup>th</sup>).
- Canada ranked lowest in getting electricity (124<sup>th</sup>), followed by enforcing contracts (100<sup>th</sup>), dealing with construction permits (64<sup>th</sup>), and trading across borders (51<sup>st</sup>).
- Between 2007 and 2020, Canada’s ranking declined in nine of the ten pillars. The exception was paying taxes. The largest fall in ranking was in enforcing contracts (down 84 places), followed by trading across borders (43 places) and dealing with construction permits (32 places). The replacement of the employing workers pillar, in which Canada

ranked highly, by the poorly ranked getting electricity pillar also represented a major fall in ranking (111 places).

- The deterioration in Canada's DBI ranking between 2007 and 2020 took place in three discrete jumps, each associated with particular development in one or more pillars. The first jump in 2008-2009 was linked to the trading across borders and enforcing contracts pillars, the second between 2011 and 2014 was due to the construction permits pillar and the introduction of the getting electricity pillar, and the third in 2017 was related to the enforcing contracts pillar.

To explain the decline in Canada's DBI ranking, the report conducts a deep dive on developments in the four pillars that experienced the largest fall in ranking to identify the specific indicator or indicators responsible for the fall. The key findings are highlighted below.

- The fall in the ranking for the dealing with construction permits pillar was due to the increase in the number of days needed to obtain a construction permit from 73 days in 2012 to 249 days in 2014, driving Canada's ranking for this indicator from 15<sup>th</sup> to 160<sup>th</sup>.
- The decline in the enforcing contract pillar was also due to the very large increase in time for court cases, from 346 days in 2007 to 910 days in 2020, reducing Canada's ranking for this indicator from 47<sup>th</sup> to 160<sup>th</sup>.
- The fall in the ranking for the trading across borders pillar reflects an increase in trading costs. The cost of exporting a container rose from US\$700 in 2007 to US\$1,660 in 2009, with the ranking going from 40<sup>th</sup> to 130<sup>th</sup>. The cost of importing a container rose from US\$850 in 2007 to US\$1,785 in 2009 with the ranking falling from 50<sup>th</sup> to 122<sup>nd</sup>. No explanation is provided for this massive increase on cost, which is inconsistent with overall price developments. Even with the introduction of new cost indicators for the trading across borders pillar in 2016, Canada's ranking on costs remained very poor.
- Canada has done poorly in the getting electricity pillar since it was introduced in 2012 to replace the employing workers pillar where Canada ranked well. This change in pillars reduced Canada's overall DBI ranking. The poor performance in getting electricity is explained by both the number of procedures (Canada ranked 169<sup>th</sup> in 2012 and 162<sup>nd</sup> in 2020) and the time needed (Canada ranked 156<sup>th</sup> and 171<sup>st</sup>).

The report is posted at <http://www.csls.ca/reports/csls2021-02.pdf>.

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The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards, and economic wellbeing in Canada through research.